

# INFORMATION TECHNOLOGY BOARD (ITB) MINUTES

**June 12, 2014**

## **Members or Designees present:**

**Shelia Hogan**, Chairperson, Department of Administration; **Ron Baldwin**, State of Montana CIO, Department of Administration; **Susan Fox**, Legislative Services Division; Amy Sassano, Office of Budget and Program Planning; **Scott Darkenwald**, Department of Justice; George Parisot for **Pam Bucy**, Department of Labor and Industry; **Tyler Trevor**, Office of the Commissioner of Higher Education; **Jennie Stapp**, Montana State Library; Stuart Fuller for **Richard Oppen**, Department of Public Health and Human Services; **Julia Dilly**, Office of Public Instruction; **Beth McLaughlin**, Supreme Court; **David Moore**, House District and **Edward Buttrey**, Senate District.

## **Guests present:**

**Alan Peura**, Department of Revenue; **Joe Chapman**, Department of Justice; **Bill Anker**, Department of Natural Resources and Conservation; **Jim Gietzen**, Office of Public Instruction; **Sandra Barrows**, Barrows Consulting; and **Scot Conrady**, Legislative Fiscal Division.

## **SITSD Attendees:**

Tammy LaVigne, Lynne Pizzini, Kyle Hilmer, Warren Dupuis, Anita Bangert, Doug Volesky, Lesli Brassfield and Cindy Petersen

## **Call to Order - Shelia Hogan**

Chairperson Hogan called the meeting to order at 10:02 a.m., welcomed the Board and audience to the June Information Technology Board meeting.

## **\*\*Action Items\*\***

### **Minutes Adoption – March Meeting Minutes- Sheila Hogan**

Chairperson Hogan informed the Board that the March 6, 2014 meeting minutes have been approved. The motion passed unanimously.

### **HHS Incident – Lynne Pizzini**

Ms. Pizzini provided a brief synopsis of the Security Incident with the Department of Public Health and Human Services. No technical information will be shared because this is a public meeting and information needs to be kept confidential.

As you may know, it was determined on May 22, 2014, that there was unauthorized access to one of Department of Health and Human Services (HHS) web servers. System monitoring had noticed suspicious activity on the server on May 15, 2014, and we immediately shut down the server, notified proper law enforcement authorities, and lined up a forensics lab to which we sent server and log information. The forensics investigation did find malware on the server as well as unauthorized access. It also found that the server had been listed as being vulnerable to cyber-attack on a hacker website as far back as last July.

We immediately began communication with various groups including the governor's office, legislators, the media, employees, other state IT staff, and state partners. Even though we were

still investigating, we knew it was important to communicate about this incident as soon as possible.

The server contained three types of information:

1. Personal information, like names, dates of births SSN's, and addresses.
2. Protected health information, like immunization records, birth and death certificates, Medicaid billing information
3. Banking information for our current and former staff

There is absolutely no evidence that the hackers were interested in, accessed, or downloaded any of the personal information on the servers. This is very important to understand. We cannot prove or disprove that information was access or downloaded. There is no evidence of any large amounts of data leaving the server so we cannot prove that data was affected. Therefore, out of an overabundance of caution we have done the following:

- Set up a 1-800 Help line that is providing answers to anyone who has questions. Calls are being tracked and escalated if necessary. Please direct all inquiries here so that information is consistent. 1-800-809-2956
- An incident web site has been configured with answers to questions. It is attached to the HHS web site.
- Anyone who might have had sensitive information on the server will receive a notification letter from the state.
- The letter will detail the services we can provide to people who may have had information on the server. These services include: access to credit monitoring, identity theft protection, and insurance.

In addition, we have taken lots of steps to make sure that all state information systems are protected with the best of our ability.

It would be appreciated if the Board could recommend the following from a technical prospective:

- Implement all layers of protection in their environment
- Have an outside review of systems
- Monitor and respond to notifications from SITSD immediately
- Support the Data Protection Initiative
- Statewide collaboration and cooperation in security

Discussion:

- Ms. Fox asked if SITSD has a communication protocol for additional information. Said it would be beneficial to have that protocol in place. Lynne said there would be lessons learned conducted when the investigation is complete.
  - Legislators are interested for themselves and their constituents.
  - Ms. Fox also requested a copy of the letter that is going out to customers.
- Ms. Stapp said collaboration is key for all agencies; appreciates the support her and her staff receive from SITSD at the Montana State Library. Aiding smaller agencies is going to continue being critical.

- Embedded tools that can be included in proprietary software that are open sourced that we are procuring that may or may not be updated as software is updated -
- What kind of liability goes back to the vendor and how much responsibility goes back to the vendor? Mr. Baldwin stated that we do have in place through policy; any system that a vendor comes in and implements or builds – the state has to be accompanied by a security plan and that we should investigate that, there is a standardized language that occurs in our contracts when it comes to security in our contracts.
- Ms. Hogan asked how many attempts the state network receives on a monthly basis. Ms. Pizzini informed the Board that there are over ½ billion attempts that hit our network on a monthly basis. This has significantly increased over the last 3 – 5 years and continues to increase. Statistics show that last month there were 800 million attempts. This number continues to grow.
- Ms. Sassano asked what MS-ISAC does. Ms. Pizzini responded that they look at the attempts and compare information with multiple databases of known attack vectors and ways that information can be shared maliciously making certain that it cannot be shared with malicious activity, hackers, or systems. MS-ISAC tells SITSD when the bell goes off and SITSD notifies the particular agency that has or may have a potential problem. MS-ISAC monitors all of the traffic for the State of Montana.
- Ms. LaVigne asked if you are not on our network but sending information across the network because you have a private provider – is this activity monitored. Lynne said no.
- Mr. Baldwin thanked all IT Managers and CIO's for attending the meeting held two weeks ago.
- The state has cybersecurity insurance also provides legal help and forensics expert services.

### **Funding Enterprise Technology – Tammy LaVigne**

Ms. LaVigne discussed issues related to funding IT Enterprise services. SITSD is requesting your recommendation and support on how to fund enterprise services.

#### **MITA requires**

- Operate and maintain a central computer center
- Operate and maintain a statewide telecommunications network
- Provide electronic access to information and services

#### **MITA Goals**

- Cost effectiveness
- Innovation
- Shared Services

#### **Background:**

- In 2010, SITSD began using Full-cost Transparency Model (FTM) to recover costs of providing over 200 services. This model computes a rate for the service offering based on the total cost of providing the service by the total units budgeted. Revenues realized equals the rate times the actual units consumed.
- Benefits of FTM:

- SITSD can accurately calculate, budget, and track the cost of providing products and services from one biennium to the next
- SITSD uses standard industry metrics for determining the basis for allocating service offerings' costs, i.e. bytes; telephone lines; network connections, etc.
- Customers understand what they are paying for
- Issues
  - Difficult for SITSD's 35+ customers to accurately project anticipated needs 2 and 3 years in advance
  - Unrestricted legislative authority: Agencies are better off to over-estimate service needs to ensure enough budget authority to meet unanticipated service needs. Agencies are not penalized for over estimating and because the spending authority is unrestricted, agencies are free to use the excess authority for any type of expenditure including non-IT expenditures.
  - Guarantee/Commitment: Agencies are not required to sign MOUs, or guarantee in anyway the fruition of their budget requests.
  - Budget Justification: Agencies are appropriated for SITSD fixed costs under "adjusted base" similar to personal services. These adjustments typically are not scrutinized like other budget requests and have often been approved through global action. [However, we are currently working with the budget office prior to budget submission to validate requests.] Therefore, agencies have not been required to justify increase or decreases in SITSD services.
- How does this hurt the State as an Enterprise?
  - When agencies fail to accurately forecast SITSD service needs, both SITSD as the service provider, and those who use the services are at risk.
  - If SITSD under collects a particular service, they generally have three mechanisms for recouping the fixed costs associated with that service:
    - working capital fund balance to the extent available;
    - increase rates; or
    - discontinue services.
- Participating entities then become at risk.
  - Working capital fund balance must be replenished in the next biennium
    - Inadvertently forcing rates up and inflating the true cost of a service offering.
  - If rates change within a biennium agencies become at risk as they have not planned nor are they budgeted for increases.
  - If SITSD elects to discontinue a service, agencies are forced to find an affordable replacement.
- SITSD has experienced variances as high as *\$4.7 million/11% under budget, in 2011 and 2013*, between forecasted units and actual agency usage that resulted in: SITSD budget shortfall; ability for agencies to redirected spending authority; and financial consequence for participating entities.

**FUNDING ENTERPRISE TECHNOLOGY**  
**Alternative Methods for Funding**  
**June 12, 2014**

1. Restricted Appropriation Authority. Request the legislature to restrict authority related to agency SITSD fixed costs, limiting the spending authority for that purpose only. While this would eliminate agencies ability to use this authority for non-SITSD service offerings, it does not incentivize accurate forecasting of actual usage and leaves SITSD and customers at risk.

Pros:	Cons:
Restricts spending authority to intended purpose	Does not incentivize accurate forecasting
	Does not protect IT budgets
	Does not equalize impact on rates

2. Restricted Appropriation Bill 1/12 of total appropriation monthly: Bill agencies for the biennium on the amount of forecasted units, their budget request. Any over or under collection for actual services would revert to fund balance and be used in the next biennium rate calculation.

Pros:	Cons:
Restricts spending authority to intended purpose	Does not match revenue to expenditures in the year realized
Protects Agency IT Budgets	Executive may not have the ability to mandate non-executive agencies to make payment based on budget
Incentivizes accurate forecasting	
Increases Accountability	
Equalizes the impact on rates	
May promote shared services	
Promotes innovation thru planned funding	

If agencies under forecasted or experienced unanticipated needs beyond their budget request for SITSD service offerings, they would need to use other authority to procure SITSD services (budget amendment; unspent base authority, reverted appropriation, etc.) This would be required to minimize the impact on rates in future biennia and to ensure accountability.

3. For fixed infrastructure costs that are incurred for a common or joint purpose benefiting the enterprise as a whole, allocate as a fixed cost based on FTE. Associated direct costs, those costs that are directly assignable to a particular user, would be allocated based on utilization, and a rate would be established based on utilization for those direct costs. Three fixed infrastructure costs are candidates for consideration:
  - a. SummitNet
  - b. The State's Telecommunication systems
  - c. State Data Center

Pros:	Cons:
Supports MITA required services	Redistributes costs to customers
Supports MITA objectives	
Maintains Agency Flexibility with choosing Direct Services	

4. Seek General Fund Appropriation

Pros:	Cons:
Supports MITA required services	Politically may not be palatable

## Discussion:

- Ms. Dilly asked what kind of effort we are looking at for review.
  - Mr. Volesky said we have the details within our FTM. What is in there is what has been planned. Because our model is very detailed and it wouldn't take long to put together. The most difficult would be to find out which services would be combined in the categories provided.
  - Ms. LaVigne said the difficulty is with governance not numbers.
- Mr. Parisot said that DLI is committed to enterprise solutions and sharing services but have concerns with increasing costs with shared services. How do we solidifying agencies in joining and having increased costs down the road?
- Mr. Volesky and Ms. LaVigne responded that we continue to work leveraging economies of scale. Not certain if people are aware of the value added part i.e. security is already in the rates.
- Mr. Baldwin stated that funding IT at an enterprise level, this Board could be leveraged in the direction of a Governance Board. In regard a reserve fund, it allows and addresses a safety net and becomes an innovation investment fund.
- Ms. Fox said she believes that is where the collaboration would come in and there would be more participation on this Board. You may see where a project could be leveraged together
- Mr. Baldwin stated that agencies could make use of enterprise level services that provided a level of technology that couldn't be built on their own or would cost a lot of money. Agencies should have available to them, state of the art technologies and redundancy and protection. We should have a discussion together before an agency purchase or SITSD makes an enterprise investment. This is what governance would formalize for us. The level of discussion has increased greatly. This body should and can make recommendations and help platforms going forward. This will cause the costs to come down. IT needs to be accessible and affordable.
- Ms. Sassano added that as conversations are held, keep two components distinct. There is the level of SITSD budget as one decision point and the allocation methodology as the second. You can't completely disengage the two but look at the methodology piece as to who pays what and when. The example previously used to drive the fixed costs option is – many years ago the motor pool had a single rate that paid xx per mile. When the price of gas increased, motor pool couldn't increase their rates and the motor pool went into the hole. They had to then have a general fund supplement appropriation to pay for everyone's gas. The motor pool then moved to a rate that states you pay x dollars per day to lease a vehicle. That cost covers the vehicle the oil changes the tires and a per mile cost that covers the gas. Now they have an incremental variable rate that if gas goes over \$4 per gallon, rates are increased again. Think with the concept of covering your fixed costs that are there regardless of the variable costs. If you don't use the money to pay your SITSD bill, you can't use it for anything else.
- Mr. Peura suggested inviting budget people as well as IT staff.

**Session System Replacement – Susan Fox**

Ms. Fox stated that they participated in HB 10 for the first time last session and were given an appropriation of 6.1 million; for their session bill replacement. The Montana Code Annotated is still on the mainframe, still use test EBMS and Word Perfect for bill drafting. Session system replacements were the primary drivers in obsolete declining technology.

Staff were retiring and we wanted to capturing retirees knowledge before they left. Business and system process were documented and were successful in HB10 in 2012. We tried to follow all the same steps that executive branch agencies have to in order to get funds released. We hired a PMO for extra direction. The RFP was sent out and proposals are due on Friday. This will effect the entire legislative process including minutes, amendments, publications and session laws for legislative review.

We will begin with converting the database and fill in blank annotations. The bill drafting system will be available by the 2017 session. We are in the process of building a web based bill drafting system – which will affect the bill status system, not sure how yet. We still need to integrate with audio and video. We are also hoping to build in some benefits to the new system as well.

- Mr. Baldwin stated that you are obviously upgrading to a more standard and modern based system. Will this system have an automated workflow built into the system?
  - Ms. Fox replied that she hopes there will be efficiencies and is looking at other functionality processes with mobile devices.

### **Agency Strategic Plans – Kyle Hilmer**

Mr. Hilmer informed the Board that we are coming to the second phase which is the Agency IT Plan cycle. Third being the Biennial Report.

#### **Agency IT Plans**

- 31 plans received; note received.
- planning group has reviewed 29 of the agency plans
- DOA and SITSD and combining their plans into a single DOA plan
- CIO will be reviewing the agency IT plans next week
- approval letters will go to department heads by June 30
- quality of the plans was generally related to the size of the agency IT staff

#### **Agency IT Plan Supplements**

- 15 organization have submitted 62 Supplements

#### **Preliminary Observations on Agency Plans**

- 33% of all agency IT strategies were Enterprise strategies
- 24% of all agency IT strategies new/unique to agencies
- 42% of all agency IT strategies expected/obvious/unnecessary
- *Conclusion: Enterprise strategic alignment was modest*
  
- Enterprise IT Plan has 7 IT principles
- 7 agencies adopted all the enterprise principles
- 4 agencies adopted all but 2 enterprise principles
- 10 agencies used the enterprise principles and added a few new principles
- 4 agencies listed entirely new/unique principles
- *Conclusion: Enterprise principle alignment was very high*
  
- 3 risks were overwhelmingly listed by the agencies; 56% of all risks listed

- security
- hiring qualified IT staff
- retaining IT staff (including retirements)
- *ITMC asked for additional research and information on recruitment and retention risks*

Strategic planning group will be performing more analysis on the Plans and Supplements and making recommendations to the CIO for the Biennial Report.

### **Microsoft Enterprise License Agreement – Doug Volesky**

Mr. Volesky informed the Board that we negotiated the Enterprise Agreement with Microsoft.

- Pleased to report Office 365 that is part of the package. We will be working in collaboration with state agencies so everyone can use the benefits of going to Office 365.
- We currently have a program for employees to purchase Microsoft for home use. That benefit expires.
- Microsoft will be handling compliance issue.
- We were able to benefit from the addition of other software licenses.

Discussion:

Ms. LaVigne told Mr. Volesky kudos to him and his staff for saving the State of Montana so much money and doing their due diligence.

### **Board Members/Open Forum**

- Future agenda items:
  - Broadband
  - Records Management
  - Security
  - Social media

### **Adjournment**

- Next Meeting – September 4, 2014
- Member Forum - none
- Public Comment - none

If you have any future agenda items, please contact Tammy LaVigne at (406) 444-2589.

- Meeting adjourned at 11:50 a.m.